GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:828
ANSWERED ON:17.08.2007
SERVICES TO THE POOR BY BANKS
Rawale Shri Mohan

Will the Minister of FINANCE be pleased to state:

(a) whether a large majority of the poor in India are outside the formal banking system because commercial banks do not find it viable to provide services to the poors specially in the rural areas;

(b) if so, the details thereof; and

(c) the steps proposed to be taken by the Government to make the policies of financial inclusion for the poor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (c): The Government is aware that a Large majority of the poor, especially in. the rural areas, still remain outside the formal banking system. To bring the financially excluded` population within the formal bimking system, following :steps have been taken:-

Banks have been advised to make available a basic banking `no frills` account either with `nil` or very low minimum balances.

Norms for opening `no frills` account, has been simplified.

Regional Rural Banks have been advised to allow limited overdraft facilities in `no frills` accounts, without any collateral.

Small borrowers with loans settled under the one lime settlement scheme have been made eligible to access fresh credit.

Issuing of General Credit Cards to eligible beneficiaries without insistence on security, purpose or end use of credit.

Bankss have been permitted to utilise the services of Non-Governmental Organisations, Self Help Groups, Micro Finance Institutions and other Civil Society Organisation as intermediaries in providing financial and banking services.

All State Level Bankers` Committee convener banks have been advised to initiate action for identifying atleast one district in their States/Union Territories for 100% financial inclusion. In many states, SLBCs have identified and taken steps to cover a larger number of districts for 100% financial inclusion.

Banks have been urged to scale up IT initiatives for financial inclusion.